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# REPORT OF THE EXPERT MEETING ON WAYS TO ENHANCE THE PRODUCTION AND EXPORT CAPACITIES OF DEVELOPING COUNTRIES OF AGRICULTURE AND FOOD PRODUCTS, INCLUDING NICHE PRODUCTS, SUCH AS ENVIRONMENTALLY PREFERABLE PRODUCTS

Held at the Palais des Nations, Geneva
16 to 18 July 2001

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## Chapter I

## RECOMMENDATIONS

1. Individual experts put forward views and policy options for Governments, the international community and UNCTAD on ways to enhance developing countries' capacities for the production and export of agriculture and food products, including niche products, such as environmentally preferable products. The following text summarizes the experts' conclusions and recommendations and the related diversity of views.

### A. Recommendations at the national level

2. Governments should support the development of the agriculture sector, in particular the production of high-value products, improvement of quality and better participation in global value chains, by:

- Taking fiscal and other measures to attract investment and technologies into new areas;
- Taking into account the views of professional associations;
- Identifying appropriate policies to address the deterioration of terms of trade between agricultural and manufactured products;
- Providing WTO-acceptable support to the agriculture sector, in particular for research and development and quality assurance;
- Defending national and business interests strongly at the WTO;
- Assisting in the dissemination of market information;
- Facilitating the development of clusters that strengthen linkages in the economy;
- Putting in place legal and institutional structures for new forms of finance, such as warehouse receipts, and encouraging banks to provide finance to diversifying enterprises.

3. Recognizing that the share of organic products in agricultural markets is generally not over 2 per cent, national Governments, in cooperation with farmers' associations, non-governmental organizations and other stakeholders, should play a proactive role in promoting organic agriculture and trade, in particular by:

- Increasing awareness of the environmental, economic and other benefits (such as livelihoods and living conditions) of organic agriculture and non-wood forest products, as well as trading opportunities for developing countries. Local electronic media can be involved in this process;
- Identifying and recognizing civil society organizations of the local organic community and facilitating their participation in a national multi-stakeholder committee with the Government to develop organic policies and a national plan for the organic sector;

- Promoting research into and development of local organic production systems and locally adapted, high-quality disease-resistant seeds and planting materials, bio-control agents and fertilizers;
- Providing training and technical advice on organic farming practices through agricultural extension services and developing information networks among farmers;
- Designing, implementing and enforcing national and regional standards, based on international standards such as the Basic Standards of the International Federation of Organic Agriculture Movements (IFOAM);
- Promoting certification infrastructure, including local certification bodies, in particular where there is a potential for significant organic production and exports;
- Promoting suitable marketing strategies and partnerships;
- Supporting the development of a domestic market for organic agricultural products;
- Where possible, providing financial support to farmers, particularly during conversion periods;
- Introducing supportive government policies;
- Identifying and helping to develop the proper subsidies or incentives to support the development of strong organic production systems in developing countries, especially to assist farmers in converting to organic production.

4. The business sector should:

- Emphasize professional organizations and cooperation among producers and exporters;
- Strengthen cooperation between such organizations and the Governments by creating effective and credible pressure groups;
- Go beyond the provision of products and become providers of ideas and services;
- Combine efforts to have sufficiently large and regular shipments in order to meet importers' requirements and to improve access to finance;
- Pay due attention to local and regional markets;
- Participate in organizing and funding research and technological improvements, particularly for the post-harvest stage;
- Adopt "codes of conduct/practice" to ensure quality, and assure importers with regard to the latter;
- Consider using alternative trading channels such as fair trade organizations.

### B. Recommendations to the international community

5. The international community should support the efforts of developing countries, particularly least developed countries (LDCs), to develop supply capacities and improve market access and market entry conditions by:

- Eliminating all protectionist barriers to trade;
- Simplifying and harmonizing standards, based on international standards;
- Assisting producers and processors in meeting standards and quality requirements;
- Providing financial and technical support to research and extension, as well as to the procurement of high-quality inputs;
- Supporting capacity building in all areas, from production to marketing and finance;
- Including stakeholders in designing assistance;
- Providing financing directly to the private sector, including for venture capital;
- Supporting participation in trade fairs;
- Increasing official development assistance to agriculture and strengthening the resources of the Common Fund for Commodities in order to increase its role in enhancing the productive capacities of developing countries.

6. In the follow-up to the Third United Nations Conference on the Least Developed Countries, full attention should be paid to working towards the objective of providing duty- and quota-free access for LDCs,[1] such as under the European Union's "Everything But Arms" initiative, and to "Supporting LDCs' efforts to develop and take advantage of niche markets for goods such as…organic products and handicrafts, as well as cultural products" (paragraph 68(bb) of the Programme of Action).

7. The international community should support the efforts of developing countries, particularly LDCs, to derive economic, social and environmental benefits from organic agriculture and trade, in particular by:

- Assisting developing countries in designing national and regional organic standards, based on international standards such as the IFOAM Basic Standards and the Codex Alimentarius Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods;
- Promoting and facilitating a framework of harmonization, including the IFOAM Basic Standards and Accreditation Programme, which establish a framework for mutual recognition between IFOAM-accredited certifiers;
- Promoting market research on issues such as trends in supply and demand in international markets, marketing channels, certification and quality requirements to be met in importing countries;

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[1] Paragraph 68(h) of the Programme of Action for the Least Developed Countries for the Decade 2001-2010 reads as follows: "Improving preferential market access for LDCs by working towards the objective of duty-free and quota-free market access for all LDCs' products. This will apply in the markets of developed countries. Improvements in market access for LDCs should be granted on a secure and predictable basis. They should be combined with simplified rules of origin that provide transparency and predictability so as to help ensure that LDCs benefit from the market access granted, and multi-donor programmes, such as the Integrated Framework for Trade-related Technical Assistance (IF), to upgrade LDCs' production and export capacities and capabilities. Consideration should also be given to proposals for developing countries to contribute to improved market access for LDCs' exports".

- Reducing costs of certification of organic producers in developing countries by (i) setting up local certification systems, (ii) promoting smallholder certification, and (iii) reducing the costs of international accreditation for certifiers in developing countries;
- Ensuring transparent and simple rules and requirements governing imports of products for sale in their organic markets, including through the application of the concept of equivalence;
- Providing information on organic standards and regulations, market opportunities and other factors relevant to exporters from developing countries;
- Including non-wood forest products in existing labelling and certification systems for organic products;
- Facilitating technical assistance, including under the Agreement on Technical Barriers to Trade and the Agreement on the Application of Sanitary and Phytosanitary Measures, to help developing countries meet organic standards in international markets as well as to participate in international standard-setting bodies. Such schemes should include non-wood forest products;
- Extending benefits to organic agricultural products in preferential trade arrangements;
- Carefully examining the implications, if any, for developing countries of subsidies to assist farmers in converting to organic production and in post-conversion support programmes;
- Identifying and helping to develop the proper subsidies or incentives to support the development of strong organic production systems in developing countries, especially to assist farmers in converting to organic production.

## C. Recommendations to UNCTAD

8. UNCTAD, in cooperation with the International Trade Centre (ITC), the Food and Agriculture Organization of the United Nations (FAO), IFOAM, the United Nations Environment Programme (UNEP) and other relevant institutions, should contribute to the development of the supply capacity of developing countries and assist them in deriving advantage from growing markets for organic products, non-wood forest products etc., in particular by:

- Providing market information and analysis;
- Organizing capacity-building workshops by product groups;
- Undertaking country surveys to identify production and export opportunities;
- Implementing pilot projects to assist in the design and execution of diversification programmes;
- Implementing pilot projects on innovative financing such as warehouse receipts;
- Carrying out analysis and promoting policy dialogues on trade and sustainable development aspects of organic agriculture;

- Examining ways to promote the practical application of the concept of equivalence and mutual recognition between governmental and private sector standards;
- Promoting national and regional capacity-building projects, in particular in the framework of the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF), to support interested developing countries in promoting trading opportunities for environmentally preferable products;
- Further developing the TRAINFORTRADE 2000 Module on Trading Opportunities for environmentally friendly products;
- Examining market strategies, including through the use of electronic commerce;
- Promoting and facilitating the creation of local and regional certification bodies in developing countries, particularly LDCs.

## Chapter II

## CHAIRPERSON'S SUMMARY

1. Experts put forward views and policy options for Governments, the international community and UNCTAD on ways to enhance developing countries' capacity for the production and export of agriculture and food products, including niche products, such as environmentally preferable products. The following text summarizes those views and reflects the diversity of opinions expressed.

### A. Trends in world trade in food and agricultural products

2. Agricultural production in developing countries has grown faster than in developed countries; however, much of the increased production in the former was domestically consumed, while in the latter it was mostly directed to export markets. While world trade value has increased 15 times since the early 1970s total agricultural trade value has increased only seven-and-a-half times. The decline in relative prices of commodities and a "double counting" of trade in manufactured products have both contributed to this difference in growth rates. A relatively high proportion of value added has been created domestically in agriculture compared with other sectors, which are much more dependent on imported inputs.

3. The share of developing countries in traditional commodity markets has declined by about a fifth since the early 1970s and only a few developing countries have benefited from the growth in dynamic products, such as vegetable oils, fish, vegetables, cut flowers and poultry. Some experts concluded that a certain correlation seemed to exist between subsidized products and loss of market shares of developing countries. Other experts considered that such a conclusion was unsubstantiated.

4. Several experts pointed out that there had been increasing import penetration in developing countries, in particular by developed country producers, and that this had led to a significant deterioration of the trade balance of developing countries as regards food, particularly in least developed countries (LDCs). Some experts pointed out that intra-developing country trade in agricultural and food products had intensified and that an increasing number of developing country producers had gained market shares in other countries, particularly in neighbouring developing countries.

5. As regards organic food and beverages, the representatives of the International Trade Centre UNCTAD/WTO pointed out that organically grown products currently accounted for approximately 1-2 per cent of total food sales in most developed countries, and amounted to about US$ 17.5 billion per year. The size of the organic market had grown substantially over the last decade. Although no systematic production and trade statistics on organic products were available, estimates suggested that certified organic production existed in more than 140 countries, including 90 developing countries, 20 of which were LDCs. Global demand was forecasted to increase annually by 15-20 per cent in the medium term. Fresh fruits, tropical

beverages, spices, grains and sugar appeared to be among the most promising products for developing country producers and exporters.

## B. Production and export constraints

6. Recent changes in market structures for food products have led to a number of production and export constraints for developing countries. Those constraints concerned, at the national level in developing countries, the liberalization of the agricultural sector and a more important role for foreign companies in local markets, enhanced competition from imported products and increased price risk exposure for small farmers and local companies. At the international level, there is a growing concentration of trade and more emphasis on product quality, brands and marketing, which reduce the importance of cost differentials, thus making it difficult for many low-cost developing country producers to access developed country markets. It was underscored that there is a globalization of consumption patterns and that supermarket chains have increasing importance in all markets. Although this creates unprecedented opportunities for market entry, only those exporters whose products meet strict quality requirements and who can ensure regular supplies of sufficient volumes can benefit. Also, developing country producers capture only a very small and declining share of food retail prices.

7. Most experts were of the view that limited technical and managerial skills, expensive and inadequately supplied inputs, insufficient research and development (e.g. with regard to better seeds and planting materials), slow development of new products, and lack of finance and organization could be regarded as key general production constraints in many developing countries. It was highlighted that international support to agriculture in developing countries had significantly declined over the last 20 years. Agriculture remains the most protected sector in many countries. Besides much higher tariff barriers, there are quota restrictions, tariff escalation and a plethora of non-tariff barriers. In addition, agricultural support measures and export promotion policies in developed countries contribute to trade distortions and dampen international prices, to the detriment of developing country producers.

8. According to many experts, developing country producers of organic products face several sets of potential constraints related to conversion, production, marketing and government support policies. Constraints on conversion to certified organic agriculture in developing countries include uncertainty about markets and price premiums. Certification costs, technical requirements and sanitary and phytosanitary (SPS) measures might act as obstacles to exports of organic food products from developing countries. Furthermore, organic vegetable and fruit markets tend to rely largely on locally produced food. Production-related constraints include high initial investment, possible fall in yields, increased labour requirements, invasion by pests, uncertain ownership of land, different organic agriculture practices in various agro-ecological zones and insufficient availability of organic fertilizers. Market-related constraints pertain to the small size of export markets and lack of domestic markets, stringent standards in external markets, uncertain and falling price premiums, inadequate production and market-related information and the fact that only part of certified

products may be sold in organic markets, thus effectively reducing the benefits to organic producers. Institutional and policy-related constraints include lack of locally based certifying infrastructure and inadequate general government support.

9. Experts highlighted that fact that international organic markets have very high standards on quality, packaging and certification, which are normally difficult for small and dispersed developing country producers to meet. Markets may also need large quantities at short notice, a requirement which is difficult to meet, especially for small producers. Transit and certification costs are high and may drive away small producers. In general, high certification costs were considered a serious handicap for organic producers/exporters in most developing countries. One expert recalled the proposal about providing financial support for meeting the certification costs of LDC producers of organic products. Some experts stressed in this regard that the multiplicity of certification schemes implied that producers might have to pay for a number of certificates, a task which was often beyond the means of small producers. Some experts expressed concern that the multiplicity of standards, including those on organic agriculture, and requirements in certain national standards, initially on a voluntary basis, could result in trade barriers – for example, fresh products transported by air would not qualify as organic according to the organic standard of one certification body. Several experts therefore underscored the need for more transparency in standard setting, a consistently science-based approach and notification in accordance with SPS and technical barriers to trade (TBT) procedures.

10. Many experts pointed out that the changing concept of product quality, which included production and processing methods, logistics, food safety concerns and environmental requirements as well as branding, and the related importance of information and linkages with buyers, had become a serious constraint for many developing country producers and exporters.

### C. Quality and product differentiation issues

11. All experts were of the view that, to preserve and expand market shares, developing country producers would have to meet ever-increasing number of stringent quality standards. It was mentioned in this regard that Kenya, for instance, had set up a successful Plant Health Inspectorate Service (KEPHIS) for monitoring SPS-related product quality.

12. According to many experts, product differentiation is one of the strategies to tap opportunities offered by changes in food habits and changing consumer tastes. For instance, many different cuts can be made from chicken, each of them being the subject of strong demand in different markets. Also, in addition to guaranteeing higher revenues for small-scale producers in developing countries, fair-trade labelling has facilitated the capturing of new markets. The combination of fair-trade and organic labelling could offer further opportunities.

13. Several experts pointed out that developing country exporters might benefit from identifying speciality and niche products, for which markets were smaller and large companies' economies of scale were not very important in determining competitiveness. Examples included exotic fruits and vegetables, ethnic products and non-wood forest products. As far as organic products were concerned, export opportunities existed in areas where organic produce was out of season in developed countries or did not compete with production in those countries, and for products of which there were shortages in developed country markets.

### D. Organic food and agricultural products

14. Experts highlighted the fact that organic products had to be certified by a recognized body in importing countries. Minimum certification requirements included one full inspection per year, full implementation of standards, conversion periods, and identification of product flows and audit procedures. These requirements could pose serious challenges for developing country producers. In the absence of local certification bodies, developing country producers had to rely on certification by international inspectors, which was costly. Standards were often not known or difficult to adapt to tropical climatic conditions. Furthermore, limited technical expertise and advice were available. Small farmers did not generally keep records, a problem compounded by illiteracy in some regions.

15. According to many experts, a key question was how to reduce the costs of certifying smallholders in developing countries. Umbrella certification of groups of farmers was considered a promising avenue. The traditional approach was to use spot checks, but these reduced confidence in the products. A more successful approach might be based on a rigorous internal control system, whereby an organic monitoring department was introduced into existing group structures. For such an approach to work, a number of requirements had to be met: (i) the creation of standards that were clearly understood by all group members; (ii) qualified internal inspectors who were responsible to the group as well as to external certification and inspection agencies; (iii) procedures for inspection, evaluation, sanctions and rectification; (iv) adequate documentation systems; and (v) proper monitoring and guidance by certification agencies.

16. Most experts were of the view that there was an urgent need to harmonize organic standards and regulations. Currently, a multitude of standards existed at the international, regional and national levels, many of which were based on the Basic Standards of the International Federation of Organic Agriculture Movements (IFOAM) and the Codex Alimentarius Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods. Negotiating bilateral mutual recognition agreements between countries was an extremely time-consuming process. A more efficient alternative could be recognition of the IFOAM Accreditation Programme, which evaluated the qualifications of certification bodies and also established a framework for mutual recognition between IFOAM accredited certifiers.

17. There was a consensus among the experts that Governments needed to develop a complementary set of policies and institutions to support the organic agriculture sector.

18. Many experts pointed out that conventional farming methods tended to impoverish the soil over time. Conversely, organic farming practices revitalized the soil, enhanced its water retention and prevented soil erosion. They also increased farmers' self-reliance, reducing their dependence on external chemical inputs.

19. UNCTAD case studies have shown that many developing countries have traditionally used little or no agro-chemicals, but the process of modernization and the need to feed increasing populations have led to increased use of chemicals. In recent years, however, the limitations of agriculture based on chemical use and high irrigation have become apparent and there has been a resurgence of interest in organic agriculture. In many developing countries, organic agriculture is considered an option, affordable to smallholders, for improving farm efficiency and profitability, as compared with farms under traditional management.

20. Some experts stressed that the relationship between the narrow objectives of organic agriculture and other policy objectives was important. Food security was an overriding priority in developing countries. In some cases, food security requirements might make it difficult to convert large areas of land to organic production. In such cases, agricultural policies could focus on reducing the use of chemical fertilizers and pesticides. In this regard, several experts emphasized that there was a need for a holistic view of agriculture in the light of the huge increase in population. Divergent views were expressed, however, about how to feed 11 billion people in 2030. Some experts maintained that a second green revolution to increase yields was needed, probably through biotechnology. Others noted that organic standards explicitly excluded the use of genetically modified organisms. A number of experts argued that fighting hunger was not just a matter of increasing yields: it was also important to enhance the diversity, longevity and sustainability of the world's agricultural system, including changing dietary habits. Many experts pointed out that not all agricultural systems needed to be organic. Several studies had shown that modern agricultural systems could cause serious health and environmental problems. Therefore, it was necessary to reduce agro-chemical use in conventional agriculture by adopting integrated methods of agricultural production, and to bring parts of agriculture as close as possible to organic agriculture. Agricultural practices aimed at reducing the use of chemical fertilizers and pesticides, while not fully "organic" as defined by IFOAM standards, might help increase the yields and quality of agricultural products.

21. It was noted that Governments in developing countries were not providing subsidies to organic agriculture, but in some cases they were starting to promote awareness raising, research and training. Institutional support included local IFOAM organizations, non-governmental organizations (NGOs), farmers' associations and export promotion bodies. It was further noted that international support (by Governments and NGOs) for production, certification and marketing played a key role, in particular in LDCs.

22. A number of experts pointed out that problems of access to markets for organic products were important for developing country exporters. Those problems included standards set by governmental and private bodies, certification, subsidies and preference for locally produced organic products. Trade policy issues included TBT- and SPS-related technical assistance, harmonization of standards, equivalence, subsidies, non-trade concerns and tariff-rate quotas (in the Agreement on Agriculture), and possible trade preferences. As regards the latter, some experts referred to the option of granting special quotas for organic produce within tariff-rate quota systems and the inclusion of organic products in the Generalized System of Preferences.

## Chapter III

## ORGANIZATIONAL MATTERS

### A. Convening of the Expert Meeting

23. The Expert Meeting on Ways to Enhance the Production and Export Capacities of Developing Countries of Agriculture and Food Products, Including niche Products, Such as Environmentally Preferable Products was held at the Palais des Nations, Geneva, from 16 to 18 July 2001.

### B. Election of officers

(Agenda item 1)

24. At its opening meeting, the Expert Meeting elected the following officers to serve on its bureau:

| | |
|---|---|
| Chairperson: | Ms. Amina Mohamed (Kenya) |
| Vice-Chairperson-cum-Rapporteur: | Mr. Eberhard Hanser (Germany) |

### C. Adoption of the agenda and organization of work

(Agenda item 2)

25. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in document TD/B/COM.1/EM.15/1. The agenda for the Meeting was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Ways to enhance the production and export capacities of developing countries of agriculture and food products, including niche products, such as environmentally preferable products
4. Adoption of the outcome of the Meeting

### D. Documentation

26. For its consideration of the substantive agenda item, the Expert Meeting had before it a background note by the UNCTAD secretariat entitled:

> "Ways to enhance the production and export capacities of developing countries of agriculture and food products, including niche products, such as environmentally preferable products" (TD/B/COM.1/EM.15/2).

## E. Adoption of the outcome of the Meeting

(Agenda item 4)

27. At its closing meeting, the Expert Meeting authorized the Rapporteur to prepare the final report of the Meeting under the authority of the Chairperson.

**Annex**

**ATTENDANCE ***

1. Experts from the following States members of UNCTAD attended the Meeting:

Angola
Australia
Austria
Bangladesh
Barbados
Belgium
Benin
Bolivia
Burkina Faso
Burundi
Cambodia
Chile
China
Comoros
Costa Rica
Cuba
Democratic People's Republic of Korea
Democratic Republic of the Congo
Dominican Republic
Ecuador
Egypt
El Salvador
Ethiopia
Finland
France
Gabon
Germany
Ghana
Guinea
India
Indonesia
Italy
Japan
Jordan
Kazakhstan
Kenya
Kyrgyzstan
Lao People's Democratic Republic
Lesotho
Libyan Arab Jamahiriya
Madagascar
Mauritius
Morocco
Netherlands
Niger
Panama
Peru
Philippines
Russian Federation
Rwanda
Sao Tome and Principe
Saudi Arabia
Senegal
Sri Lanka
Sweden
Switzerland
Togo
Trinidad and Tobago
Turkey
Uganda
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Vanuatu
Venezuela
Viet Nam
Yemen
Yugoslavia

* For the list of participants, see TD/B/COM.1/EM.15/INF.1.

2. The following intergovernmental organizations were represented at the Meeting:

Arab Organization for Agricultural Development
Common Fund for Commodities
European Community
South Centre

3. The following specialized agencies and related organization were represented at the Meeting:

Food and Agriculture Organization of the United Nations
World Meteorological Organization
World Trade Organization

4. The Economic and Social Commission for Western Asia and the International Trade Centre UNCTAD/WTO were represented at the Meeting.

5. The following non-governmental organizations were represented at the Meeting:

*General Category*

Exchange and Cooperation Centre for Latin America
International Center for Trade and Sustainable Development
World Wide Fund for Nature International

6. The following special invitees attended the Meeting:

Mrs. Franziska Staubli Asobayire, Project Manager, Swiss Import Promotion Programme (SIPPO)
Mr. Paul Osborn, Editor, Spore Consortium, Uithoorn

7. The following panellists attended the Meeting:

Mr. Rainer Bächi, Director, Institut für Marktölogie (IMO), Sulgen, Switzerland
Mr. Jean-Marc Roch, Bioroch Sàrl, Ballens, Switzerland
Ms. Paola Ghillani, Director, Max Havelaar Foundation, Basel. Switzerland
Mr. Lukas Kilcher, FiBL, Head, International Cooperation, Frick, Switzerland
Ms. Rachel Ntoyai, Plant Inspector, Kenya Plant Health Inspectorate Service (KEPHIS), Kenya
Ms. Suzanne Vaupel, Vice President, International Federation of Organic Agriculture Movements, Sacramento, United States of America
Mr. Johann Zueblin, Quality Management, Migros-Genossenschafts-Bund, Zurich, Switzerland